HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Québec Region Highlights

Canada Mortgage and Housing Corporation

Date Released: Fourth quarter 2008

42,000 starts expected in 2009

Figure 1

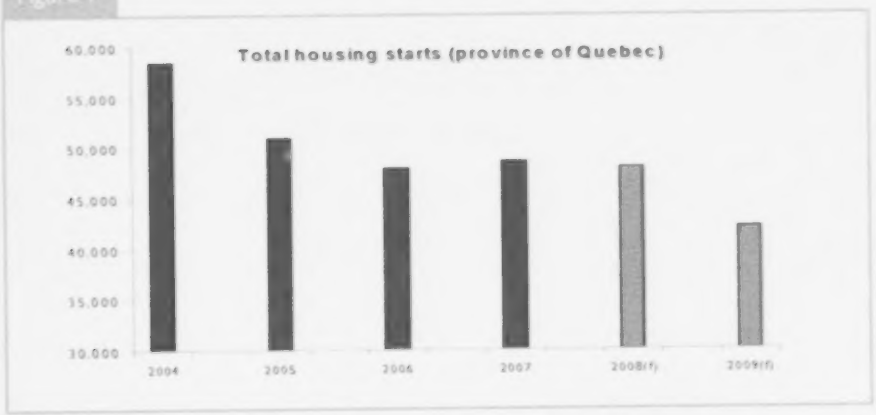
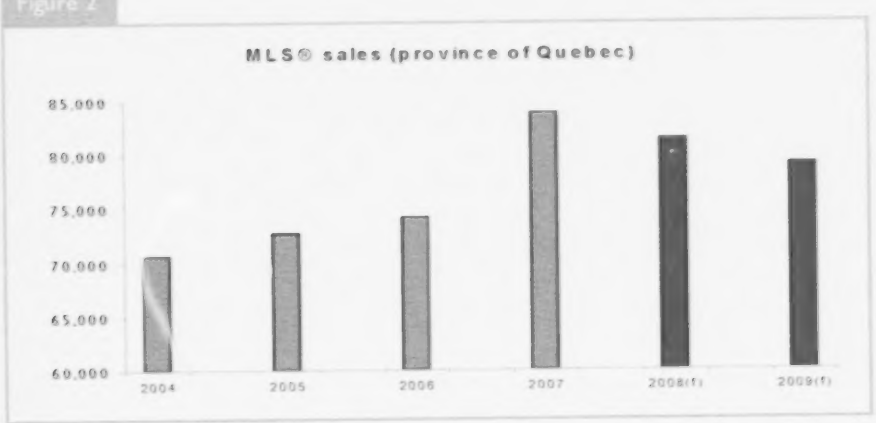


Figure 2



Moderating economic growth in 2008 and 2009 combined with increased supply in certain segments of the housing market will contribute to lower levels of housing starts in 2009. Housing starts in 2009 will be 42,000 units. The province's economy, has been supported by household spending and public investment. Looking ahead, public spending on infrastructure projects will be relatively immune to external economic shocks, however, consumer spending may soften as a result of a softer labour market. The outlook for exports remains unchanged as the benefits of a lower dollar are offset by decreased global demand. On a different note, several demographic factors will help sustain housing demand next year. Higher immigration targets (55,000 by 2010) will push up net migration and population aging will continue to fuel demand for apartments.

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Mortgage Rates

The Bank of Canada has cut the Target for the Overnight Rate by a total of 225 basis points since December 2007, bringing the rate down to 2.25 per cent. Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half of 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

In Detail

Single Starts: Single starts will decrease due to lower employment growth and the recently rising supply of existing homes listed for sale. Approximately 17,500 starts are expected in 2009.

Multiple Starts: Following a year of vigorous construction in 2007, starts of retirement homes will decrease. Total multi-family home starts will rise to 28,675 units in 2008 and fall to 24,500 units in 2009.

Resales: Sales of existing homes will decline in 2009 but will remain at a high level. Demand for condominiums (town houses or apartments) will remain an important component. The Multiple Listing Service (MLS) should thus record approximately 79,000 sales in 2009.

Prices: Cooling sales and rising inventories will continue to take pressure off prices. Cooling demand should keep price growth under the 2.5 per cent mark in 2009. As a result, the MLS average resale price will reach $ 217,000 in 2009.

Outlook for Housing Starts 2008-2012

Despite remaining at relatively high levels, new home construction in Québec will moderate during the next five years. A number of factors will pull activity to levels more in line with household formation estimates. To begin with, Québec's economy and labour market will grow moderately. Moreover, existing home markets will move from sellers' to more balanced conditions, thus reducing demand for new homes. Finally, the decrease, over several years, in the rate of growth of the population aged 75 years or older will take the pressure off the construction of retirement homes during the forecast horizon. As a result, housing starts in Québec will moderate from around 48,000 units in 2008 to 40,000 units in 2012. It follows that not all segments of the housing market will be impacted in the same way. While demand for new single detached homes is likely to follow economic conditions, that of new multi-family housing will be conditioned by the demographic factors mentioned above.

Mortgage rates		
1 Year	Q3 2008	6,75
	% pt. chg from Q3 2007	-0,30
	2008 (F)	6,75
	2009 (F)	6,31
5 Year	Q3 2008	6,95
	% pt. chg from Q3 2007	-0,27
	2008 (F)	7,05
	2009 (F)	6,92

Source: Bank of Canada, CMHC Forecast

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales[3]	MLS® Average Price ($)[2, 3]
Gatineau	Q3 2008	6.6	4.9	860.30	Q3 2008	1,103	319	784	1,527	191,859
	Q3 2007	0.2	5.5	818.77	Q3 2007	1,141	313	828	1,526	180,899
	Change[1]	6.3	-0.6	5.1%	% Change	-3.3	1.9	-5.3	0.1	6.1
Montréal	Q3 2008	-1.1	7.4	734.71	Q3 2008	4,977	1,569	3,408	13,198	269,820
	Q3 2007	2.7	7.1	710.74	Q3 2007	6,949	1,810	5,139	13,617	259,614
	Change[1]	-3.8	0.3	3.4%	% Change	-28.4	-13.3	-33.7	-3.1	3.9
Québec	Q3 2008	-0.5	4.5	746.02	Q3 2008	1,006	533	473	1,965	187,876
	Q3 2007	4.9	4.9	707.53	Q3 2007	1,290	562	728	2,132	170,582
	Change[1]	-5.4	-0.4	5.4%	% Change	-22.0	-5.2	-35.0	-7.8	10.1
Saguenay	Q3 2008	-1.0	8.1	724.00	Q3 2008	447	132	315	416	145,297
	Q3 2007	1.7	8.5	697.00	Q3 2007	324	115	209	437	130,599
	Change[1]	-2.7	-0.4	3.9%	% Change	38.0	14.8	50.7	-4.8	11.3
Sherbrooke	Q3 2008	-0.4	6.2	710.76	Q3 2008	311	242	69	569	183,394
	Q3 2007	2.2	6.2	687.04	Q3 2007	314	194	120	604	178,061
	Change[1]	-2.6	0.0	3.5%	% Change	-1.0	24.7	-42.5	-5.8	3.0
Trois Rivières	Q3 2008	-2.3	7.5	677.64	Q3 2008	244	104	140	300	132,464
	Q3 2007	6.5	8.2	661.00	Q3 2007	192	94	98	260	122,295
	Change[1]	-8.7	-0.7	2.5%	% Change	27.1	10.6	42.9	15.4	8.3
Quebec	September 08	0.7	7.3	719.49	Q3 2008	12,103	5,708	6,395	n/a	n/a
	September 07	2.3	6.9	696.23	Q3 2007	14,181	5,976	8,205	17,533	198,953
	Change[1]	-1.7	0.4	3.3%	% Change	-14.7	-4.5	-22.1	n/a	n/a
Canada	September 08	1.6	6.1	789.08	Q3 2008	58,292	27,724	30,568	n/a	n/a
	September 07	2.5	5.9	760.75	Q3 2007	67,838	35,174	32,664	132,267	306,682
	Change[1]	-0.8	0.2	3.7%	% Change	-14.1	-21.2	-6.4	n/a	n/a

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

[2]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke.

[3]Data for MLS® sales and for MLS® average price refer to the second quarter of 2008.

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Local Real Estate Boards

"SA" means Seasonally Adjusted

Quebec Region Housing Forecast - New Construction

	Housing Starts	2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Gatineau	Single-Detached	1,037	1,050	1.3	850	-19.0	769	771	-0.3
	Multiple	1,751	1,950	11.4	1,750	-10.3	1,554	1,505	3.3
	Total	2,788	3,000	7.6	2,600	-13.3	2,323	2,276	2.1
Montréal	Single-Detached	8,013	7,000	-12.6	6,400	-8.6	5,225	6,028	-13.3
	Multiple	15,220	15,300	0.5	13,700	-10.5	11,371	12,045	-5.6
	Total	23,233	22,300	-4.0	20,100	-9.9	16,596	18,073	-8.2
Québec	Single-Detached	2,144	1,930	-10.0	1,650	-14.5	1,561	1,733	-9.9
	Multiple	3,140	3,500	11.5	2,900	-17.1	2,468	2,267	8.9
	Total	5,284	5,430	2.8	4,550	-16.2	4,029	4,000	0.7
Saguenay	Single-Detached	373	385	3.2	345	-10.4	317	283	12.0
	Multiple	312	415	33.0	375	-9.6	382	273	39.9
	Total	685	800	16.8	720	-10.0	699	556	25.7
Sherbrooke	Single-Detached	666	780	17.1	600	-23.1	580	482	20.3
	Multiple	652	750	15.0	650	-13.3	445	527	-15.6
	Total	1,318	1,530	16.1	1,250	-18.3	1,025	1,009	1.6
Trois Rivières	Single-Detached	430	400	-7.0	350	-12.5	286	291	-1.7
	Multiple	767	750	-2.2	650	-13.3	488	440	10.9
	Total	1,197	1,150	-3.9	1,000	-13.0	774	731	5.9
Quebec	Single-Detached	22,177	19,263	-13.1	17,500	-9.1	15,149	17,353	-12.7
	Multiple	26,376	28,675	8.7	24,500	-14.6	20,022	20,470	-2.2
	Total	48,553	47,938	-1.3	42,000	-12.4	35,171	37,823	-7.0
Canada	Single-Detached	118,917	94,263	-20.7	83,600	-11.3	72,320	90,068	-19.7
	Multiple	109,426	117,925	7.8	94,375	-20.0	91,669	83,101	10.3
	Total	228,343	212,188	-7.1	177,975	-16.1	163,989	173,169	-5.3

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast

Quebec Region Housing Forecast - Resale Market[2]

		2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Gatineau	MLS® Sales	4,607	4,300	-6.7	4,200	-2.3	2,498	2,669	-6.4
	MLS® Avg. Price	185,693	195,900	5.5	201,800	3.0	191,859	180,899	6.1
Montreal	MLS® Sales	43,543	42,200	-3.1	40,500	-4.0	25,149	26,123	-3.7
	MLS® Avg. Price	253,340	266,000	5.0	276,000	3.8	262,471	248,140	5.8
Quebec	MLS® Sales	7,287	8,190	12.4	8,300	1.3	2,039	2,266	-10.0
	MLS® Avg. Price	178,212	194,950	9.4	204,700	5.0	187,876	170,582	10.1
Saguenay	MLS® Sales	1,260	1,230	-2.4	1,225	-0.4	311	349	-10.9
	MLS® Avg. Price	136,977	150,000	9.5	160,000	6.7	145,297	130,599	11.3
Sherbrooke	MLS® Sales	1,919	1,820	-5.2	1,780	-2.2	1,067	1,117	-4.5
	MLS® Avg. Price	184,892	186 750	1.0	188 600	1.0	183,394	178,061	3.0
Trois Rivieres	MLS® Sales	863	830	-3.8	790	-4.8	224	260	-13.8
	MLS® Avg. Price	128,000	143,000	11.7	148,500	3.8	132,464	122,295	8.3
Quebec	MLS® Sales	83,847	81,400	-2.9	79,000	-2.9	59,412	60,403	-1.6
	MLS® Avg. Price	202,392	211,800	4.6	217,000	2.5	211,101	200,759	5.2
Canada	MLS® Sales	523,701	452,225	-13.6	433,375	-4.2	330,181	383,939	-14.0
	MLS® Avg. Price	305,707	306,500	0.3	306,700	0.1	309,698	303,929	1.9

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[1]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke.

[2]Data year-to-date refer to the two first quarters of 2008.

Source: CREA, Local Real Estate Boards

(F) = CMHC Forecast YTD (January-August)

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2007	Oct 2008(F)	Oct 2007	Oct 2008(F)
Gatineau	2.9	3.4	662	670
Montréal	2.9	3.1	647	660
Québec	1.2	1.2	641	654
Saguenay	2.8	3.0	490	500
Sherbrooke	2.4	2.1	529	545
Trois Rivières	1.5	1.8	487	497
Canada	2.6	2.8	s.o.	s.o

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
As a result of a change in methodology, the vacancy rate forecasts for 2008 reflect conventional dwellings exclusively, whereas the 2007 vacancy rates include seniors residences in apartments.
[1] All centres 100,000+

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